CHAPTER – III
OBJECTIVES AND METHODOLOGY

Microfinance programme considered as a tool to support the rural people in various ways. It facilitates the rural borrowers to maintain the social and economic status in the rural areas. The research study involves surveys conducted in the three different districts of West Bengal. The objective of the research work is to assess the impact of microfinance linkage on income and awareness building of the SHG members and on other social and economic parameters. The contribution of MFIs on the growth of entrepreneurship has been examined. The researcher has taken two NGOs to study two different sets of objectives.

The first survey was carried out by the researcher in Nadia and North 24 Parganas district. The second survey was conducted in the Howrah district where the researcher attempted to assess the nature of entrepreneurship and the problems associated with the rural entrepreneurship. Other than primary survey, the secondary data collected from different sources like Sreema Mahila Samity, Agradut Pally Unnayan Samity, NABARD, RBI statistics / report and other sources.

3.1 Significance of the Study:

The study would enable to understand the knowledge on the impact of microfinance programme on the rural women entrepreneurs who are the participants in SHG. The research study will enable us to learn the impact of microfinance on the social and economic benefits of the SHG members. Also it will bring out the relationship of various stakeholders of microfinance institutions. The study is very important because it will enlighten the role of MFIs in the rural sector. Especially the empirical evidence on the impact of MFIs services on the growth of microentrepreneurs, will bring out the strategies for fighting against poverty. The study will help the policy makers, NGOs, agencies to take correct strategic action plan for livelihood related activities.
Table 3.1 : Operational Area of Agradut Pally Unnayan Samity

<table>
<thead>
<tr>
<th>District</th>
<th>Block</th>
<th>GP</th>
<th>No. of Village</th>
</tr>
</thead>
<tbody>
<tr>
<td>Howrah</td>
<td>Udaynarayanpur</td>
<td>6</td>
<td>36</td>
</tr>
<tr>
<td>Hooghly</td>
<td>Khanakul-I &amp; II, Pursurah,</td>
<td>15</td>
<td>59</td>
</tr>
<tr>
<td></td>
<td>Jangipara, Polba, Dadpur,</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Pandua</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purulia</td>
<td>Barabajar, Manbajar, Puncha,</td>
<td>9</td>
<td>38</td>
</tr>
<tr>
<td></td>
<td>Purulia – I</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>30</td>
<td>143</td>
</tr>
</tbody>
</table>

Table 3.2 : SHG’s District-wise of Agradut Pally Unnayan Samity

<table>
<thead>
<tr>
<th>District</th>
<th>No. of SHGs</th>
<th>No. of Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Howrah</td>
<td>382</td>
<td>4337</td>
</tr>
<tr>
<td>2. Hooghly</td>
<td>410</td>
<td>4355</td>
</tr>
<tr>
<td>3. Purulia</td>
<td>932</td>
<td>9546</td>
</tr>
</tbody>
</table>

The SHG members are trained by the organisations on different aspects like writing meeting resolution, register, cash book etc. Training on micro entrepreneurship development imparted by the organisation. The skill upgradation training in zari embroidery design development conducted.

Objectives of the Study:

1. To study the impact of group dynamics within the SHGs and the changes in socio-economic aspect of members after microfinance linkage.
2. To study the characteristics of entrepreneurs in the rural area.
3. To what extent does microfinance empower entrepreneurship.
4. To find out the barriers in developing entrepreneurship.
5. To find out the sustainable strategies to overcome the constraints of entrepreneurship.
6. To study the role of MFI in empowering rural women through MFI-SHG linkage programme.

Microfinance is now considered as a powerful poverty alleviation tool in the world. In India Self Help Group forms the basic constituent unit of Microfinance.
These groups can collectively lead to self reliance in accessing various development inputs. Accessing the micro credit to women caused the transformation of women’s domestic labour into social recognition. Recognition is visible when they are able to take loan and then utilised in various household and livelihood related activities in their family. It is an opportunity to women’s socio-economic development in the areas : (i) earning independent incomes, (ii) fostering self esteem, (iii) rising own voices for their rights.

In this study the researcher attempted to understand the outcome of micro credit linkage and the paper prepared by using primary data from villages in Nadia and North 24 Parganas districts that participated in the SHG program promoted by the Sreema Mahila Samity. Also the researcher demonstrated that microfinance can not address all the barriers to women’s empowerment.

In this study on Sreema Mahila Samity, it was found that only a few entrepreneurs operating after microfinance linkage in the two districts and due to this reason the researcher made another attempt to study the entrepreneurship after the MF linkage at Howrah district.

3.2 Area of Study :

The survey conducted with a structured questionnaire on the SHGs promoted by the organization Sreema Mahila Samity in the districts of Nadia and North 24 Parganas to see the Impact Assessment of SHGs after microfinance linkage and its socio-economic status. The organization Sreema Mahila Samity started formation of groups in Nadia district in 1980s. Those groups formed were mixed groups of poor female. The idea behind was collective action, which would empower them to have an access to economic and social opportunities. The savings concept started and being deposited to the groups for formation of common fund. This fund was created for their emergent needs. In due course, the concept of mixed groups created internal conflict and this resulted in taking new strategies to form separate groups of female and male members. Gradually the apex body of rural bank – NABARD initiated a concept in the 90’s – SHG and bank linkage. Samples of 41 villages were selected through stratified sampling in the districts of Nadia and North 24 Parganas. The stratification
was based on the presence of microfinance activities.

The second survey conducted on the entrepreneurs of SHGs promoted by the organization “Agradut Pally Unnayan Samity” based in the Gaza village of Udaynarayanpur block of Howrah district. In this survey a different set of structured questionnaire has been set to see the role of micro-credit on entrepreneurship and the other entrepreneurial aspects. Gaza is a village situated at the side of rivers Mundeswari and Damodar. The rural people are engaged in a variety of occupations; small farm agriculture, livestock, trading, vending, producing items like garments, bidis, shoes and foodstuffs.

3.3 Data and Methodology :

(a) Data and Methodology for Survey Work in Agradut Pally Unnayan Samity at Howrah District :

Empirical research on microfinance sector generally tends to draw on household survey data. Household data are helpful to understand the determinants of credit led development and to identify constraints on the wellbeing of the people related to household characteristics. The current research draws on data collected from rural sector micro-enterprises in Howrah districts in January and February 2011. The survey consists of three parts: one part of the questionnaire addresses the socio-demographic condition of the respondents, the second part is designed to collect information on entrepreneurship characteristics and the third part consists of questions related to living conditions. In this way the information on household characteristics, remuneration, financial performance etc are provided by the micro-entrepreneur themselves, thereby generating better quality data on their personal characteristics.

Once the survey data had been processed, the database contained personal and occupational characteristics (sex, age, family member, education, experience, nature of business) and employer characteristics (sales, profit, number of employee etc) for a sample of 200 microentrepreneurs distributed across 200 enterprises. The data thus collected reflect the status of individuals in the month of February 2011. The dependent variable of the study is the monthly income from the business.
**Independent Variables**: Two sets of independent variables are included in the regression analysis: those related to respondents’ personal characteristics and those related to financial conditions of the respondents. The independent variables are described below.

**Age** – The age of the respondent in years, which categorised into groups, below 30 years, 31 to 40 years and above 40 years.

**Gender** – The sex of the respondents. Coded as one if the respondent is female.

**Education** – Education of the respondents. Four major groups were identified: illiterate, primary, higher primary and high school & above.

**MFI Borrowing** – Coded as one if the respondent has taken loan from micro-finance institutions.

**Business Operation** – Number of years involved in the current business. The variable is categorised into three subgroups: below 5 years experience, 6 – 10 years and more than 10 years experience.

**Type of Enterprise** – Coded as one if the respondent is operating trading business.

**Asset Holding** – Coded as one if the respondent owns assets.

**Training** – Coded as one if the respondent got training before doing business.

**Banking Operation** – Coded as one if the respondent had the knowledge of banking operation.

In the next step a standard econometric analysis of wage structure was carried out in to order to estimate the impact of personal characteristics to find out whether respondents who had taken loan got better enhancement in earnings. The basic earning model is estimated below

\[ Y_i = \beta_0 + \sum_{j=1}^{J} \beta_{ij} + \epsilon_i, \text{ where } i = 1, \ldots, N, j = 1, \ldots, J \]

where \( Y \) is a \((n \times 1)\) vector of observations on the dependent variable; \( X \) is a \((n \times 1)\) vector of observations on each explanatory variable indexed by \( j \) and \( \epsilon \) is a \((n \times 1)\) vector of random disturbance terms.

**Data and Methodology for Survey in Sreema Mahila Samity at Nadia and North 24 Parganas District**:

The data was collected through a rural household survey which was conducted
in two districts of West Bengal, Nadia and North 24 Parganas. These districts are the oldest operational area of Self Help Groups (SHGs) and having the highest number of SHGs. Sreema Mahila Samity, the largest organization working in Nadia district on rural livelihood programmes, has been working in these districts for a long period. Thus, the sample was collected where the concentration of SHGs was dominant. Apart from this, the members were selected from the SHGs which had undergone more credit operations and micro-finance linkage was done for more than 7 years. The target population was the women who formed SHGs that were promoted by Sreema Mahila Samity. Primary data were collected by interviewing members who joined the SHG.

A field survey was undertaken over the period from January to March 2007 that included a survey of SHG members to determine the impact of the credit. A structured questionnaire was used to elicit information on households, business and other information for the purpose of investigating the impact of microcredit on SHGs. Open-ended questions were used to collect data from interviews with the members from SHGs. The primary survey was carried out by the researcher himself in 2007. Interviews between the researcher and participants represented the primary method used to collect data. Thus, the sample was purposively selected based on above parameters. In this aspect the basic sampling technique is used, where a group is selected from a total group list given in a particular area. Each SHG is chosen entirely by selecting and each SHG of the total SHGs of a village has an equal chance of being included in the sample, i.e. each SHG of the population is randomly chosen at any stage in the sampling process. The data was collected from 397 SHGs. These SHGs were chosen from 41 villages of these two districts having rich experience in microfinance operation. The sample SHG was selected randomly. Overall 397 group members were included in the sample and all respondents were heads of households.

3.4 Selection of Villages from Each District:

The survey was conducted in two districts – Nadia and North 24 Parganas. The number of villages considered for the survey was 33 in Nadia and 8 in North 24 Parganas. The total numbers of SHGs were 338 in Nadia and 59 in North 24 Parganas.